

COE CONTACTS

Nicole Toomey Davis

Director, Centers of Excellence Program

801-538-8687

ndavis@utah.gov

Sharon Cox

COE Program Assistant

801-538-8770

scox@utah.gov



**Governor's Office of
Economic Development**

324 S. State Street, 5th Floor • Salt Lake City, UT 84111
(801) 538-8700

www.goed.utah.gov

CENTERS OF EXCELLENCE

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*Program Updates for
2008-09 fiscal year*



**Governor's Office of
Economic Development**

Jason Perry, GOED Executive Director

CENTERS OF EXCELLENCE PROGRAM UPDATES FOR 2008-09 FISCAL YEAR

The Governor’s Office of Economic Development announces exciting changes to the Centers of Excellence Program.

PURPOSE OF COE

The Centers of Excellence program provides grant funding to help technologies developed at Utah’s colleges and universities transition out of the lab and into industry. Such advanced technologies can help create great new companies and great new products at Utah’s existing companies. Both of these mechanisms create high paying, long term jobs for Utah’s citizens.

PROGRAM CHANGES

In the past, funding went primarily to university professors to do additional work in the lab. However, a national trend is that once the technology leaves the lab, it is in a “no man’s land” in terms of funding support. Beginning with the 2008-09 fiscal year, the COE program will now provide grants to Licensees. A licensee (or sub-licensee) is a company which is licensing and planning to take to market any technology developed at a Utah college or university. Startups and existing companies will all be eligible to apply for grant funds. The new Request for Proposals (RFP) will have an application deadline scheduled for the end of February, 2008.

For this year only, existing Centers of Excellence which have received one year of funding (2007-08 only) will be eligible to apply for a second year of funding. However all teams are encouraged to join with an industry partner when at all possible in order to accelerate the commercialization of their technology.

BACKGROUND

During the 2007 Legislative session, the Legislature passed, and Governor Huntsman subsequently signed, House Bill 125, Centers of Excellence Amendments. In this bill, the

Legislature authorized the Governor’s Office of Economic Development Centers of Excellence program to provide direct grants to licensees and sub-licensees of technologies developed in Utah’s colleges and universities in order to facilitate the transition of these technologies into industry for the purpose of economic development. For the Centers of Excellence program, this is primarily measured in the creation of great jobs for Utah citizens.

Beginning with the 2008-09 fiscal year, the COE program will now provide grants to Licensees. A licensee (or sub-licensee) is a company which is licensing and planning to take to market any technology developed at a Utah college or university.

Following the continued encouragement of the Legislature, for the 2008-09 fiscal year, the COE program will follow the Licensee Grant provisions of the COE legislation and continue as a grant program but will focus the program only on Licensee (company) grant funding. After the 2008-09 fiscal year, there will be no more funding directly to University research teams.

Beginning in 2008-09, any company which is headquartered in Utah or has a significant divisional headquarters in Utah is eligible to apply. Startup companies or an existing, ongoing concern, which decides to newly license a technology developed at, and licensed from, one of Utah’s colleges or universities and which will create jobs for Utah citizens, is eligible to apply for a grant. The competitive process for Centers of Excellence Grants is intended to encourage and develop technologies that create Utah jobs from the commercialization of the technology.

ADDITIONAL DETAILS AND FUNDING MODEL

The Centers of Excellence program will no longer accept stand alone grant proposals from university proposing teams, with the exception of university Centers which received their first COE grant for the 2007-08 fiscal year and have re-

ceived 1 year of funding during 2007-08. As previously mentioned these teams will be permitted to apply for a second year of funding, but are strongly encouraged, where possible, to team with a Utah company which will become the Licensee and have the Licensee apply for the grant.

Funding will be allocated in a two step model. In the first year, the grant applicants will be eligible to apply for \$50k-\$100k with a 1:1 matching requirement. If the application is approved and the team makes progress meeting its goals and milestones as described in the application, then in the second year, they would be eligible to apply for additional funding up to a maximum of \$500k over a two-year period. In certain limited cases where the review committee determines it is best for the applicant company, the \$500k could be allocated over a 3 year period. If the team does not demonstrate sufficient progress in the first year, they would not be eligible to apply for additional funding until they could demonstrate appropriate progress. Eligible companies include firms of any size; from startup to existing large companies which decide to newly license and take to market a Utah college or university developed technology.

Licensees will be eligible to apply for grants totaling \$500k over a two year period with a 1:1 matching requirement.

Nicole Toomey Davis,
COE Director

SUMMARY

This updated model migrates the Centers of Excellence Program to a Licensee Grant program, continues the program’s historical and legislative goal to help facilitate development of promising university created technologies and their movement out of the lab and into industry. Historically it has been difficult for technologies being taken to market by startups to find the seed capital and very early stage funding to get the opportunity to mature. The modification of the COE program will help technologies which are viewed as high risk get the opportunity to mature through a direct industry link. By providing funding at this crucial time, we have seen the private sector, including friends, family and angel investors, willing to step up and match the state’s funds. The State has previously recognized the necessity to encourage venture capital firms to actively invest in Utah. The same factors exist with new technology research. For existing businesses, university developed technologies often seem extremely risky, these COE grants will provide the opportunity to reduce the risk to Utah’s business community and thus encourage them to partner with our colleges and universities to develop the next generations of compelling products.

The following diagram, originally presented to the Utah State Legislature during 2006 and 2007, shows how the Centers of Excellence Program fits into the overall funding strategy for emerging companies.

For those technologies being licensed by existing businesses, it is a significant incentive for them to take a risk and apply their own resources to “work with” the technology and clearly evaluate the business opportunity. Obviously it is of interest to the state to encourage more of our existing companies to consider licensing these exciting technologies. Nationally, 52.2% of all licenses from universities are executed with existing small businesses, compared to 13.9% with startups and 28.6% with large companies. Far fewer existing Utah-based small or large businesses license our university developed technologies.

Under this updated program, if the Licensee wants to have a portion of the funds contracted back to the university for specific work or use of specific lab equipment, this

can be accommodated, but the intent of the funds is to both mature the technology and mature the business opportunity in order to accelerate the go to market process of these technologies.

The Stepping Stones to Job-Creating Companies

